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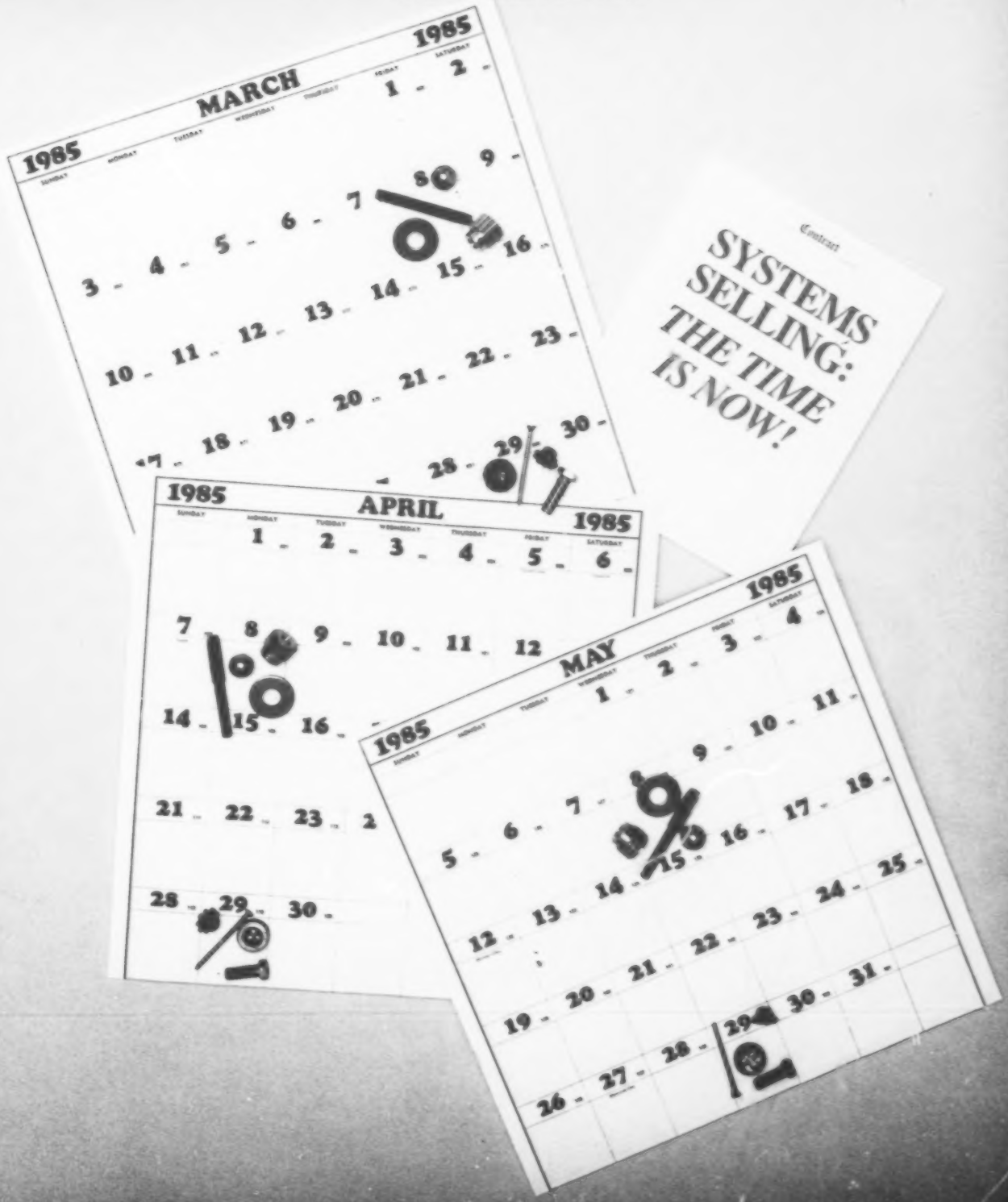
Industrial Distribution

© TECHNICAL PUBLISHING

March 1985

Hotline: Problems for distributors seen in new Federal budget



ID Industrial Distribution

VOL. 74 NO. 3/74th yr. A TECHNICAL PUBLISHING PUBLICATION MARCH 1985

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Industrial Distribution (USPS-889-860) is published monthly by Technical Publishing, a Division of Dun-Donnelley Publishing Corporation, a Company of the Dun & Bradstreet Corporation, John K. Abely, President. EXECUTIVE, EDITORIAL AND ADVERTISING OFFICES, 875 Third Ave., New York, NY 10022. (212) 605-9400. Second class postage paid at Barrington, IL 60010 and additional mailing office.

Postmaster: Send address changes to Industrial Distribution, Circulation Dept., P.O. Box 1063, Barrington, IL 60010.

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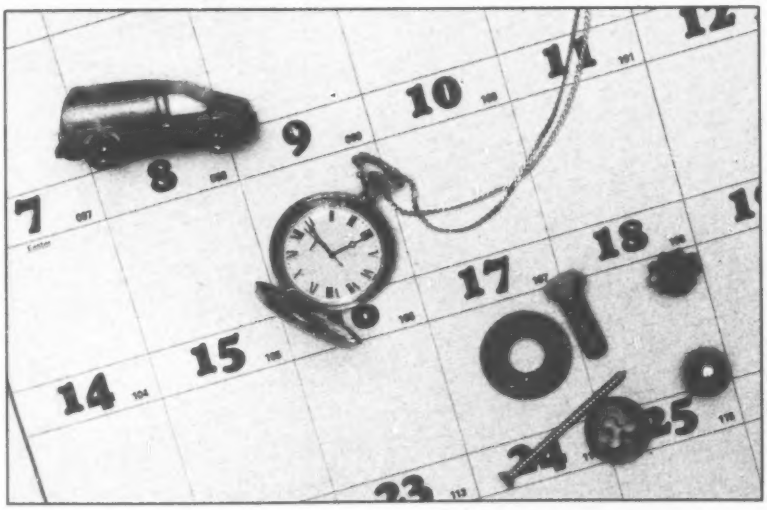

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INDUSTRY NEWS

Uniform product liability laws urged by joint liability task force

WASHINGTON—The Bhopal, India tragedy focussed the attention of the world on what was mistakenly described by some sources as a case of product liability, says a joint task force comprising the *Coalition for Uniform Product Liability Law* (CUPLL) and *The Product Liability Alliance* (TPLA).

According to the group, what occurred in Bhopal was an industrial accident that had nothing to do with product liability. "The only similarity between Bhopal and product liability law is the conduct of the trial lawyers who raced to the scene for an opportunity to sue," noted the organizations.

The chairman of the group's Government Relations Committee, Patrick Rowland, who serves as director of government affairs for Borg Warner Corp., points out that "most states right now allow distributors to be sued under the state's product liability laws, even if they haven't touched the product.

"Under the proposed law, S-100, the distributor would be excused providing the manufacturer had U.S. assets and this would be a big departure from current law."

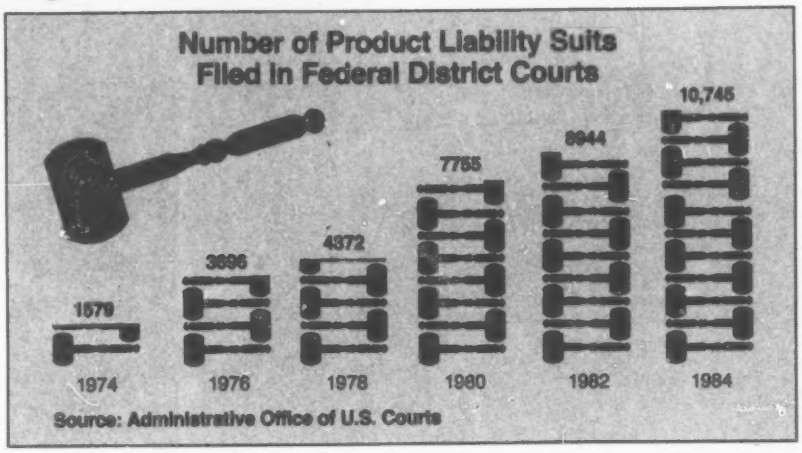
Rowland notes that, at present, only 32 states have laws governing product liability and that no two are the same. He also points out that product liability lawsuits have increased more than 700% over the past decade.

Another area of confusion resulting from such a crazy-quilt of differing state laws, says the organization, is that the state law governing product injury cases vary so widely there is no way to predict whether or not a product complies with any one or all of the state laws.

The organization illustrates the discrepancies in individual laws by reporting that New York law requires a worker claiming an asbestos-related injury to file suit in a relatively short period of time after exposure even though the disease has not manifested itself yet while in California, claimants can file suit up to a year after they discover the injury and its cause regardless of when exposure originally took place.

The CUPLL/TPLA task force also contends that the complainants in such suits are not benefitting fully from favorable judgements, noting that a study of injured asbestos workers discovered that only 37 cents of every dollar spent on litigation went to the injured party with the remainder going to the trial lawyers.

The joint committee also points out that expensive settlements in product liability cases have artificially inflated prices for all products. Fully 20% of the cost of a step ladder, for example, goes toward payment of product liability insurance.



Last year, House and Senate bills establishing fair and uniform standards for product liability came close to passage. This year the Senate sponsor, Robert Kasten of Wisconsin, has reintroduced a bill and a similar house version is expected soon.

"It's high time," says the CUPLL/TPLA task force, "that Congress deals with this patchwork area of the law and makes some sense out of a system that's done nothing but serve one special interest group far too long." □

National Hand Tool makes Norman Velisek head of new division

DALLAS—National Hand Tool Corp. has named Norman Velisek vice president and general manager of its new Blackhawk Hand Tool Division which the company acquired from Litton Industries last year.

Velisek served as vice president-marketing for Dresser Industries Tool Group from 1963 to 1980 and, prior to his recent appointment, held the same position with Owatonna Tool.

Velisek

Velisek emphasized his commitment to "making Blackhawk a leader in the hand tool industry" and said that one of the new division's goals was to increase sales of Blackhawk's product line through industrial distributors to 30% of total sales.

Since the acquisition, Blackhawk has moved its administrative staff to Dallas with tool manufacturing now being performed in Dallas and in Blackhawk's original Sanford, NC plant. □

Construction machinery makes comeback says new study of market

COMMACK, NY—The U.S. construction machinery industry experienced an increase in sales of 25.9% in 1984 rising to a total sales volume of $13.56 billion, according to a new study *The U.S. Construction Machinery and Equipment Industry.*

Published by Business Trend Analysts, Inc., the report notes that the strong sales growth follows in the wake of the worst slump the industry has experienced in the post-war period. In 1982 alone, the study points out, sales of construction machinery and equipment fell 30.6%

Among the other findings of the study:

- Sales of tractor shovel loaders by do-

[continued on page 12]

INDUSTRY NEWS...

[continued from page 12]
compete in that marketplace.

"Now we've taken the accessories to a new level where we can give them attention.

Schmidt

What it means to the distributor is that we'll be offering better products at better prices with more merchandising support than in the past," he noted. □

William E. Blum retires from Armstrong-Blum

CHICAGO—William E. Blum, president of Armstrong-Blum Manufacturing Co. since 1975 has retired after serving the firm for 43 years.

The Board of Directors of the metal cutting sawing machine and blade manufacturer named Donald L. Armstrong, grandson of one of the founders, to the presidency.

Armstrong joined the firm in 1958 becoming assistant treasurer and director of services in 1960, treasurer in 1965 and executive vice president in 1975, his most recent position.

The board also announced the appointment of Stanley A. Wolben, to the post of executive vice president while he continues to serve as treasurer. □

HTI's McGlynn retires as executive director, Byrne named to post

TARRYTOWN, NY—Edward T. McGlynn, executive director of the Hand Tools Institute (HTI) will retire on May 1, 1985.

McGlynn joined HTI in 1979 following his retirement from True Temper Corporation after 25 years of service where he served as vice president and general manager of the Hardware Division. He is past president of the American Hardware Manufacturers Assn. and the Eastern Hardware Assn. and is the recipient of the Award of Merit from the Middle Atlantic Hardware Assn.

At the same time, it was announced that Richard C. Byrne, currently HTI's manager of administrative services, will succeed McGlynn as executive director. Byrne is

McGlynn

Byrne

also president of Trade Association Management, an association management firm which serves as the administrative staff for HTI. □

Kaman Bearing & Supply acquires Transmission Inc. in midwest

BLOOMFIELD, CT—Kaman Bearing and Supply Corp., the industrial distribution division of the Kaman Corp., has acquired Transmission Inc., a power transmission distributor located in Dayton and Cincinnati, OH.

The new acquisition will merge into Kaman's midwest region under the direction of Tneodore N. Schall, vice president. Transmission Inc.'s former vice president of sales, Stanley Tripp, will manage daily operations.

Kaman Bearing and Supply operates its distribution business nationwide from 153 locations in 29 states and Canada. □

ISEA strategic plan charts new directions for 1985

ARLINGTON, VA—The Industrial Safety Equipment Assn., headquartered here, will be branching out in new directions in 1985, according to its president, Frank E. Wilcher, Jr.

"Following nearly a year of development, the five-year strategic plan was enthusiastically approved during ISEA's last meeting," noted Wilcher who added that "Ours is an industry in transition."

Among the changes cited by Wilcher are the reduced domestic market for safety

Indicators . . .

The three key indices sent a mixed message this month with two down and one up. The NIDA/SIDA *Industrial Distribution Index* dropped 12.9 points in December from the previous month registering 123.3 on a national basis. Regionally, losses were distributed evenly with all areas experiencing declines. The largest regional loss occurred in the Midwest with a drop of 14.5 while the smallest was felt in the South which fell 9.7, from 133.9 in November to 124.2 in December . . . The November SIDA *Monthly Sales Trend Report* saw a drop of 8.79 from October levels on a national basis although still 8.41 ahead of November '83 and 12.19 higher in year-to-date '84 compared with year-to-date '83. While all geographic areas showed a decline, Area 2 comprising FL, GA, SC, and Puerto Rico experienced the largest dip falling by 13.64 . . . ASMMA's *New Order Index* for the month of November rose by 4.7 for a 4% increase over October, reaching 123.2. With the exception of the August level of 129.1, this is the highest level in 37 months . . . the American Machine Tool Distributors' Assn. *New Orders Index* rose to its highest point since August '81 to 89.3 in November, up 12.9% from October. The November '83 figure was 75.5, 18.3% below its current level . . . According to the National Wholesale Hardware Assn. its *Hardware Sales Index* for November increased a nominal 3.6% from the previous month to 118.5 on a national basis. Six of the seven regions reported increases ranging from a low of 0.7% in the Southeast to a high of 9.0% in the Great Lakes. The Northeast was the only region to show a decline dropping just 1.2% in the month . . . The *Welding Supply Index* prepared by the National Welding Supply Assn. dropped from 176.7 in November '84 to 171.8 in December. The latest figure represents a 24.8 fall in the Index in a two month period. Despite this, the December figure is 29.6 higher than December '83 . . . The *Quick Pulse Aluminum Service Center Index* compiled by the National Assn. of Aluminum Distributors dropped 10.9% for shipments in November '84 to 113.4. The current figure is the lowest of the last 18 months and identical to the August '83 figure.

REGIONAL REPORT

December sales continue fall

Having fallen 10 percentage points in November's national yearly comparisons, sales continued to fall in December, dropping another 11% and barely clinging to the plus side, up a slim 4% over December '83.

Among the regions turning negative in national statistics, are West South Central, off 10%, West North Central, off 3%, and East North Central off 1%. All other regions are up with Pacific the strongest, up 16%. In November, Pacific was also the strongest region, up 27%.

In areas reporting nationally, only Ohio was in the negative column, off 4%, while most other areas had their gains pared.

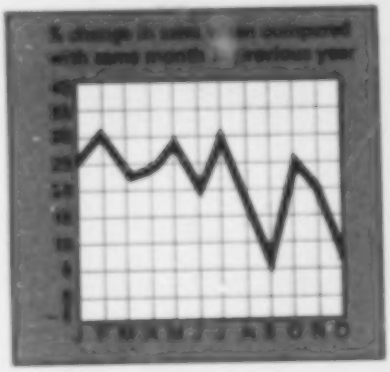
In month-to-month reporting, the national average in December was slightly better than November's figures: down 7 versus down 9, respectively. Only one region was in the plus column, New England, up 5%, and one area, Pennsylvania, up 7%.

In cumulative statistics—12 months of 1984 vs. 12 months of 1983—the year closed up 20%, a very satisfactory figure for the distribution industry. Every single region and area reporting was up in double digits except West North Central, which still gained 8%. The highest region was East North Central, up 25%; highest area, Upstate New York, up 27%.

Receivables, after having flirted with the 40 day mark through the final quarter of 1984, closed out with a rise in both categories. General line national figures ended at 43 days (vs. 41 in '83); specialists at 44 days (vs. 42 in Dec. '83). □

RECEIVABLES*	Dec. '84 Gen.	Dec. '84 Spec.	vs	Dec. '83 Gen.	Dec. '83 Spec.
New England	48	44		57	50
Middle Atlantic	52	46		42	43
South Atlantic	39	37		37	35
East North Central	38	41		36	39
East South Central	41	—		39	—
West North Central	—	41		—	40
West South Central	49	44		56	48
Mountain	—	—		—	—
Pacific	45	40		43	41
National	43	44		41	42

*Average days outstanding



Sales off again in December . . .

SALES BY REGIONS (% change)	Dec. '84 vs. Jan '84 Gen.	Spec.	Both	Dec. '84 vs Dec. '83 Gen.	Spec.	Both	1984 vs 1983 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+10	−9	+5	+8	−5	+4	+16	+17	+16
Connecticut	+18	—	—	+5	—	—	+18	—	—
Massachusetts	0	—	—	+11	—	—	+15	—	—
MIDDLE ATLANTIC: NY, NJ, PA	−5	−5	−5	+12	+1	+5	+21	+18	+19
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	−28	+21	−16	—	+21	—	+29	+22	+27
Pennsylvania	+11	+4	+7	+18	+5	+10	+14	+21	+18
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC SC, VA, WV	−4	−14	−8	+14	−5	+5	+25	+15	+20
Georgia-Florida	−2	−12	−7	+31	−9	+7	+37	+17	+25
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−13	−11	−11	+3	−4	−1	+26	+25	+25
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	−6	−1	−2	−8	+8	+5	+12	+30	+26
Chicago	—	—	—	—	—	—	—	—	—
Michigan	—	—	—	—	—	—	—	—	—
Ohio	−8	−16	−13	0	−10	−4	+30	+17	+21
EAST SOUTH CENTRAL: AL, MS, KY, TN	−14	—	—	+9	—	—	+29	—	—
WEST NORTH CENTRAL: MN, ND, SC, IA, NE, KS, MO	−6	−2	−3	0	−5	−3	−2	+13	+8
WEST SOUTH CENTRAL: AK, LA, OK, TX	−15	−2	−6	−5	−12	−10	+17	+10	+12
Texas	—	−4	—	—	−20	—	—	+11	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	−11	—	—	+3	—	—	+3	—	—
PACIFIC: CA, OR, WA	−5	+1	−4	+21	+2	+16	+24	+18	+23
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	−9	+10	−1	+18	+2	+9	+24	+15	+19
U.S. TOTALS	−6	−8	−7	+13	−4	+4	+23	+18	+20

ID's QUARTERLY INFLATION INDEX

For the entire year 1984 the *Silver/ID Inflation Index* rose 2.50%, as compared to 1.96% a year ago. For this same period the *NIDA/SIDA Index* rose by 2.4%, a remarkably close fit for the year. Note that the inflation rate for the fourth quarter of 1984 was 0.59%. Multiplied by four to annualize this rate, you get a projection of 2.34%, which suggests that no trend up or down from 1984 is yet discernible for 1985.

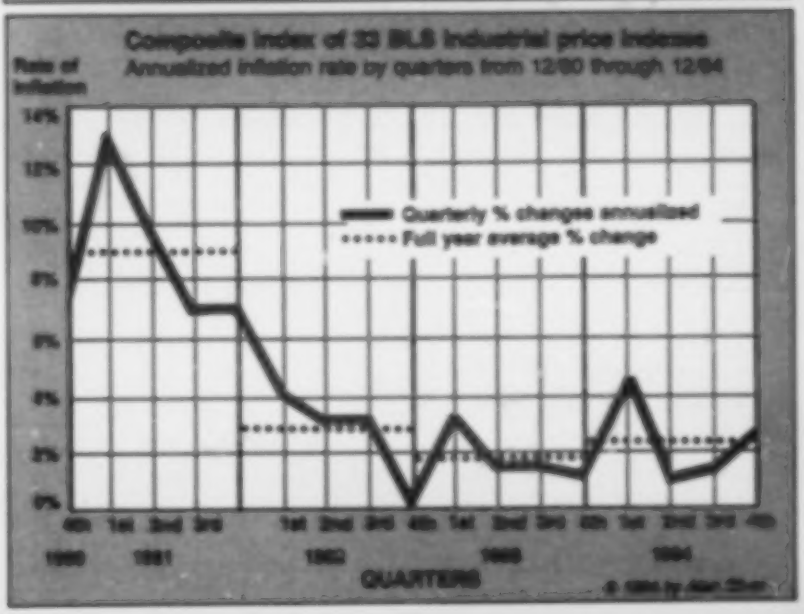
As you can see from Table 1, the 1984 inflation rate for industrial products is about a third less than that for the indexes in plumbing and heating, electrical and the *Consumer Price Index*. An analysis of Table 2 shows that for the fourth quarter 24 product lines went up, two were unchanged and seven fell. For the year as a whole, 30 went up and three declined.

With the end of 1984, our graph now shows the quarterly movement of our industrial index for the four years, 1981-1984. Note that for each of these four years the inflation rate for the first quarter is substantially higher than the rate for the year as a whole. For the four years the annual rate of inflation averages only two-thirds of the rate for the first quarter. Clearly, many vendors publish price increases for the first quarter of the year, and given the low rate of inflation there may be no further price increase for the year. At the beginning of 1984 we projected an annual inflation rate of 3%. The actual rate was 2.5%

Table 1—Comparing Inflation Indexes

	Current qtr 12/84 vs 9/84 annualized	*BLS Inflation rates (%) Year-to-Date 12/84 vs 12/83	12/84 vs 12/82	12/83 vs 12/82
Silver/ID Indx. of 33 industrial prod.and groups	2.34%	2.50%	2.50%	1.96%
NIDA/SIDA Index of 10 industrial product groups	0.94%	2.47%	2.47%	1.97%
**PPI Index of industrial commodities	0.98%	1.41%	1.44%	1.08%
Avg. of above indexes	1.39%	2.14%	2.14%	1.67%
**PPI Index of finished goods (nsa/sqrt)	2.89%	1.89%	1.89%	0.79%
Silver/Wholesale Hdw Index of 13 lines (plbr., w/htng)	4.44%	4.22%	4.22%	3.89%
Electrical Marketing Index of 24 product groups	2.48%	3.01%	3.01%	3.70%
***NAED Inflation Index: 16 product groups	0.99%	0.19%	0.19%	0.69%
Consumer Price Index	1.39%	2.99%	2.99%	3.69%

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS) (1972 = 100)
NOTE: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Upcoming reports will follow the above format.



Compiled by Alan Silver Associates, Inc. Highland Park, NJ

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[continued on next page]

More statistical information on this industry's performance can be found in the NEWS section under "Indicators" and in *ID*'s monthly REGIONAL REPORT. And watch for the 38th ANNUAL SURVEY OF DISTRIBUTOR OPERATIONS in July *ID*.

ID's QUARTERLY INFLATION INDEX...

Table 2—ID quarterly inflation index (1967 = 100 except where otherwise indicated)

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
Product category	Current qtr. 12/84	Previous qtr. 9/84	% inflation current qtr.	Current qtr. annualized %	Year-to-date 12/84 vs 12/83 %	Year-to-date 12/84 vs 12/83	Last 12 months	4th qtr. 83	4th qtr. 82	Annual inflation 82 %
**Industrial oil	372.7	372.7	0.00	0.00	0.27	0.27	0.27	371.7	372.9	−0.3
Prepared paint	277.3	277.4	−0.04	−0.16	4.68	4.68	4.68	264.9	265.1	−0.1
*Rubber belts & belting	344.5	347.3	−0.81	−3.24	3.11	3.11	3.11	334.1	338.1	1.8
Other misc. rubber products	304.3	304.5	−0.07	−0.26	2.05	2.05	2.05	298.2	294.3	1.3
Plastic construction products	168.8	169.0	−0.12	−0.48	−0.82	−0.82	−0.82	170.2	153.1	11.2
Semi-finished steel products	373.0	374.1	−0.29	−1.16	0.81	0.81	0.81	370.0	368.7	0.4
Wire & cable	201.2	201.0	0.10	0.40	−0.15	−0.15	−0.15	201.5	198.1	1.7
**Electric wire & cable	103.6	103.3	0.29	1.16	0.39	0.39	0.39	103.2	103.0	3.2
**Building wire & cable	97.8	98.1	1.77	7.08	−0.77	−0.77	−0.77	104.9	103.0	4.9
Builders hardware	302.8	299.3	1.17	4.68	4.16	4.16	4.16	236.7	272.6	6.6
*Hand tools	365.5	359.7	1.61	6.44	4.13	4.13	4.13	351.0	340.1	2.6
*Misc. metal products	301.6	295.6	2.03	8.12	4.25	4.25	4.25	289.3	286.7	0.2
**Industrial s/fstly eq.	139.6	136.5	2.27	9.08	4.57	4.57	4.57	133.5	133.6	2.2
*Bolts, nuts, screws & rivets (fasteners)	280.0	270.0	1.16	4.64	3.05	3.05	3.05	271.7	270.0	0.6
*Power-driven hand tools	224.6	225.1	0.67	2.68	2.56	2.56	2.56	220.9	221.6	−0.39
Welding machines & eq.	285.1	283.0	0.74	2.96	4.36	4.36	4.36	273.2	273.1	0.04
*Cutting tools & accessories	283.3	280.1	1.14	4.56	2.72	2.72	2.72	275.8	272.1	1.4
Precision measuring tools	254.9	253.3	0.63	2.52	4.30	4.30	4.30	244.4	241.5	1.2
*Abrasive products	308.1	310.4	−0.74	−2.96	0.66	0.66	0.66	305.2	299.4	2.3
Metal cutting machine tools	394.7	386.8	2.04	8.16	4.66	4.66	4.66	379.3	372.7	1.8
Metal forming machine tools	428.7	425.7	0.70	2.80	1.44	1.44	1.44	422.6	411.8	2.6
Pumps, compressors & eq.	352.2	349.6	0.74	2.96	1.70	1.70	1.70	346.3	348.2	−0.5
Fluid power eq.	261.8	260.9	0.34	1.38	2.95	2.95	2.95	254.3	248.9	2.2
*Industrial material handling eq.	262.1	260.6	0.52	2.08	1.95	1.95	1.95	266.5	266.9	−0.1
*Mechanical power transmission eq.	330.9	330.2	0.19	0.72	3.25	3.25	3.25	320.4	312.0	2.7
*Metal valves, (except fluid power)	102.8	102.8	0.00	0.00	2.70	2.70	2.70	100.1	100.0	0.1
*Metal pipe fittings	109.0	107.7	1.21	4.84	5.02	5.02	5.02	103.3	100.0	3.2
Ball & roller bearings	344.5	344.1	0.12	0.48	3.39	3.39	3.39	333.2	326.3	−0.5
Plain bearings	202.2	204.4	−0.83	−3.32	0.65	0.65	0.65	260.0	257.0	1.2
Wiring devices	362.0	357.0	1.40	5.60	5.66	5.66	1.66	341.9	327.8	4.3
Integrating & Measuring Instruments	220.0	220.2	0.22	1.04	3.17	3.17	3.17	223.7	214.8	4.9
***Electric motors	105.3	104.1	1.15	4.60	4.66	4.66	4.66	100.4	266.6	5.2
***Generators & generator sets	102.8	102.4	0.39	1.56	2.69	2.69	2.69	103.7	101.1	−6.0
*NIDA/SIDA composite	306.5	306.0	2.16	8.64	2.47	2.47	2.17	260.1	254.2	1.7
Silver/ID composite	266.6	265.6	0.59	2.34	2.50	2.50	2.50	260.8	266.2	2.0

*Included in NIDA/SIDA composite

** 12/73=100 *** 6/78=100 **** 12/82=100 ***** 6/83=100

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